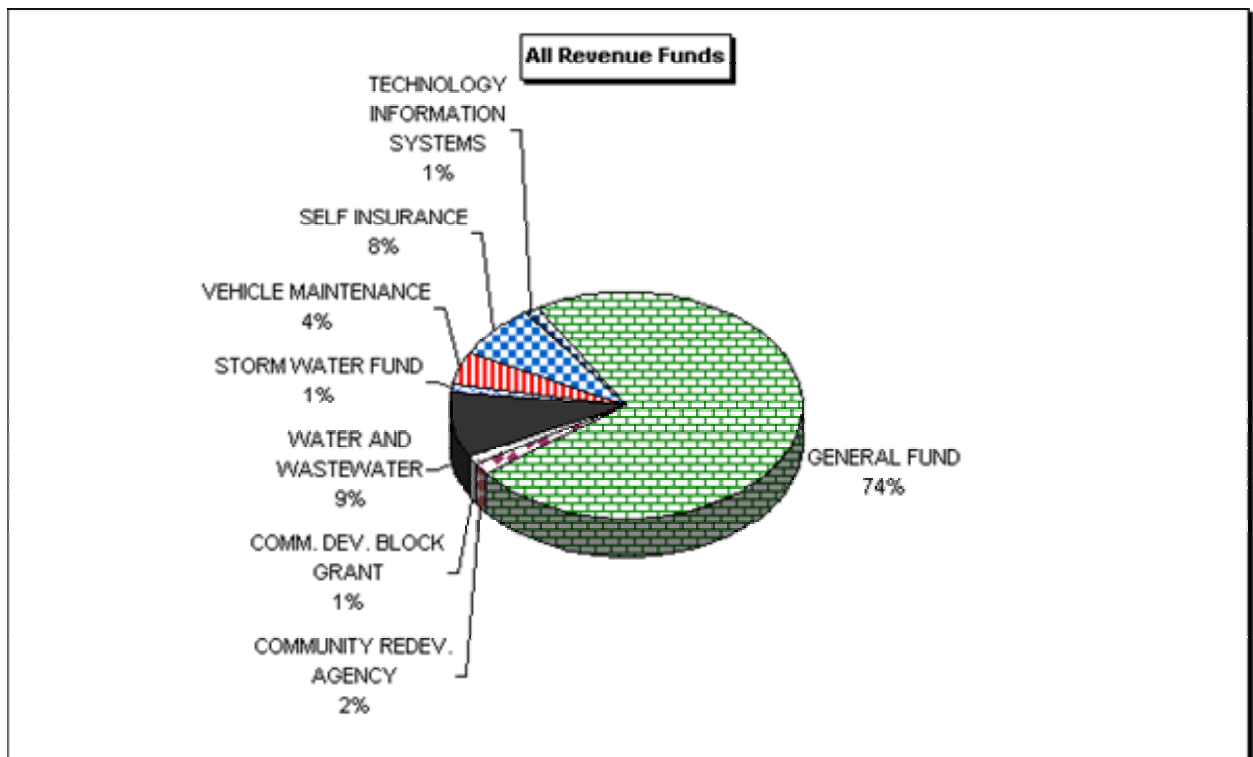




**First Quarter 2004 Review
of
Estimated Revenues and
Appropriations**

The purpose of this report is to provide an overview of the Town's current financial condition and the results of operations for the quarter ending December 31st, 2003. The Town has ten operating funds, the eight largest are reflected in the graph below; however, four of the funds, Technology Information Systems, Self Insurance, Vehicle Maintenance, and Community Redevelopment Agency, are used to account for resources that generally have as their origin, the General Fund.

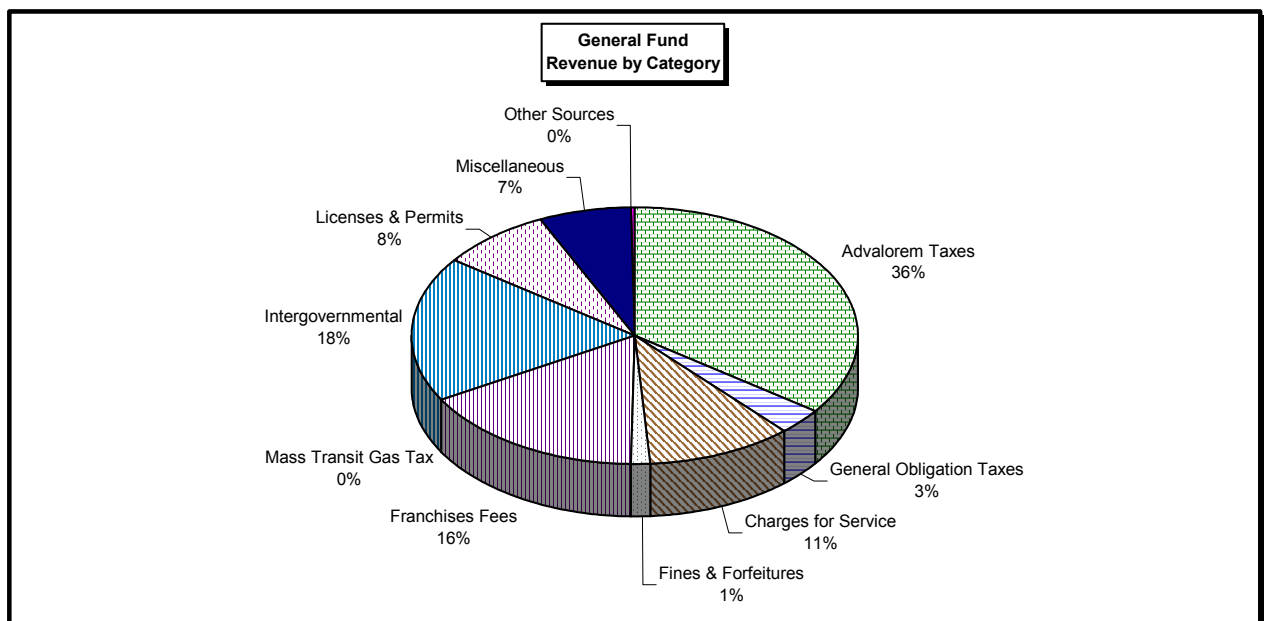


Operational Funds	Amount
GENERAL FUND	\$67,926,726.00
COMMUNITY REDEV. AGENCY	\$1,652,069.00
COMM. DEV. BLOCK GRANT	\$1,015,775.00
WATER AND WASTEWATER	\$8,810,764.00
STORM WATER FUND	\$969,013.00
VEHICLE MAINTENANCE	\$4,067,558.00
SELF INSURANCE	\$7,267,280.00
TECHNOLOGY INFORMATION SYSTEMS	\$1,329,328.00
BUILDING MAINT. FUND	\$248,496.00
COMMUNITY ENDOWMENT	\$244,986.00

Since the General Fund accounts for almost seventy five percent of the operations of the Town, this report will focus entirely on this fund.

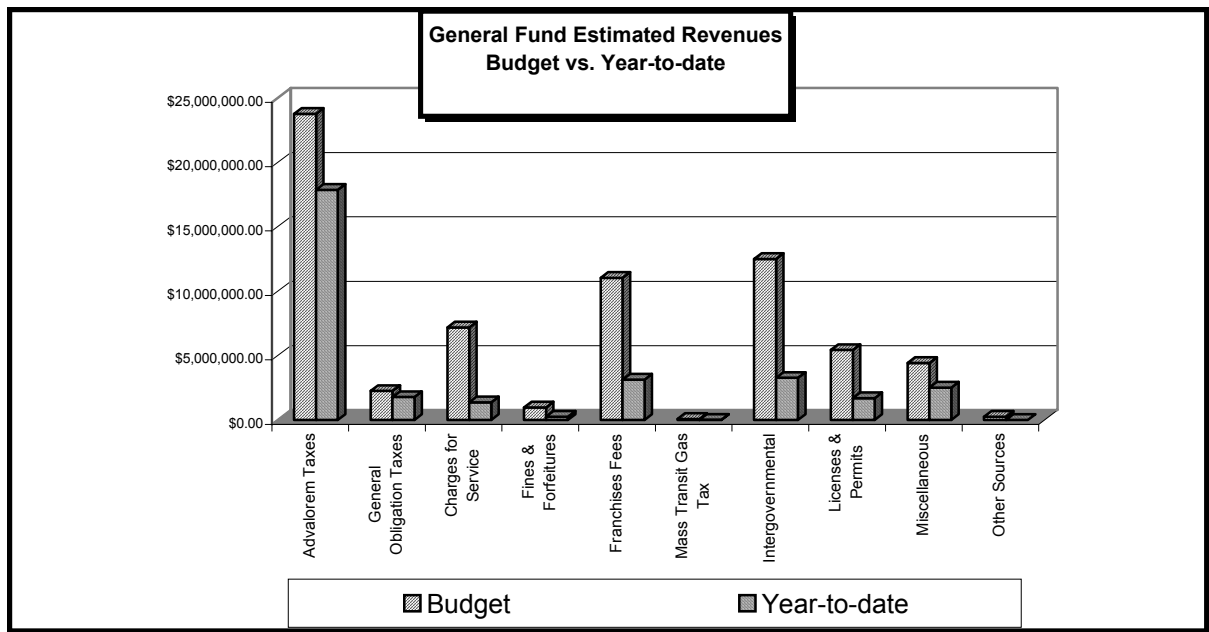
General Fund Estimated Revenues

Total estimated revenue for this fund is \$67,926,726. The following graph presents a summary of General Fund revenues by category. The graph shows that only about 36% of the total revenues the fund receives comes from ad valorem taxes.



Another 29% comes from Charges for service, like recreation fees, and Intergovernmental revenue, such as federal, state, and county shared revenues.

The next graph reflects estimated revenue as compared with that received through the period ending December 31, 2003. Due to the fact that ad valorem taxes are billed in November, many citizens pay their bill early in the fiscal year that results in about 75% of estimated revenue being collected. Similarly, the general obligation taxes follow the same pattern. Generally, most revenues are scheduled to come in over the course of the year.

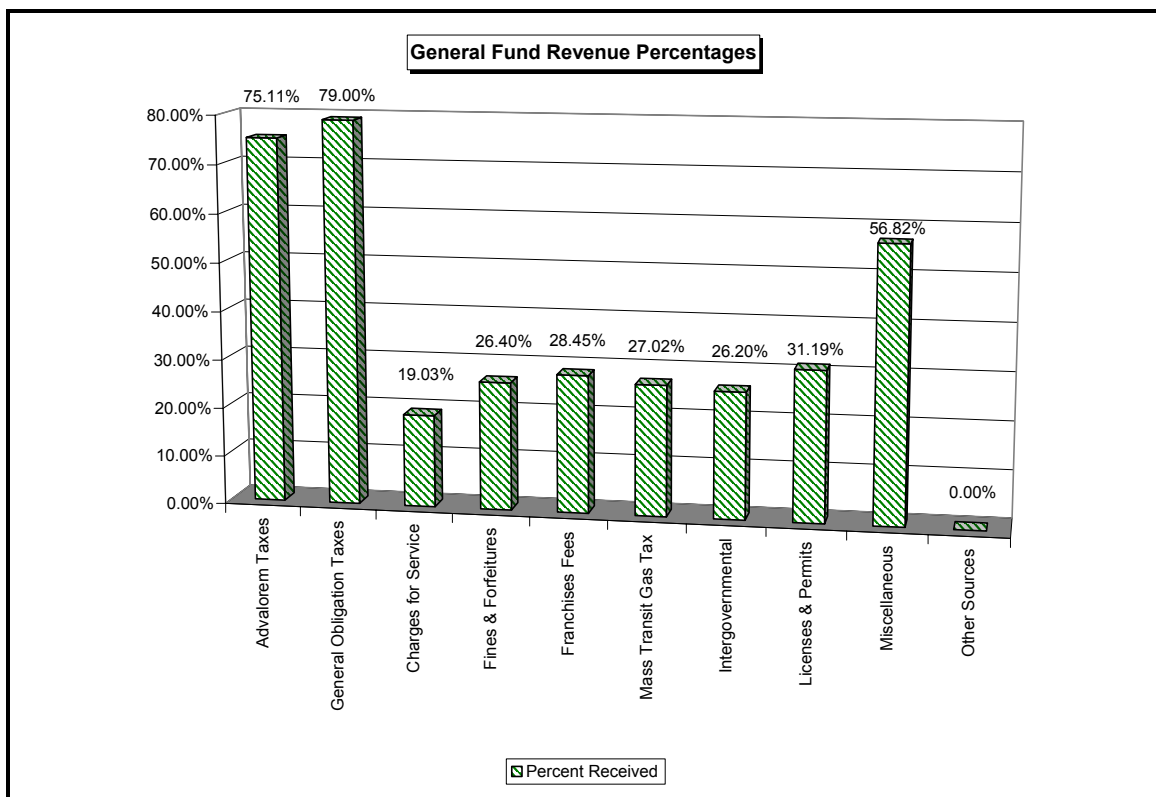


In order to place the graph above in another perspective, the following table presents a summary of General Fund revenues by category for the period ending December 31, 2003, the amount, percent received to date and the percent category represent of the total estimated revenue.

The following more explicitly reflects the revenue categories and whether or not they exceed collections for the 25% of the year completed (Attached Exhibit A). As the table shows, of the ten revenue categories used in the General Fund, only one, Charges for service is lagging behind about 6%.

Category	Estimated Revenue	Year-to-date Received	Percent Received	Percent Of Total Revenue
Ad valorem Taxes	\$23,772,414.00	\$17,855,400.48	75.11%	35.00%
General Obligation Taxes	\$2,254,849.00	\$1,781,330.81	79.00%	3.32%
Charges for Service	\$7,176,701.00	\$1,365,513.52	19.03%	10.57%
Fines & Forfeitures	\$973,800.00	\$257,060.70	26.40%	1.43%
Franchises Fees	\$11,043,000.00	\$3,141,600.37	28.45%	16.26%
Mass Transit Gas Tax	\$89,180.00	\$24,093.41	27.02%	0.13%
Intergovernmental	\$12,492,390.00	\$3,273,047.15	26.20%	18.39%
Licenses & Permits	\$5,436,790.00	\$1,695,913.08	31.19%	8.00%
Miscellaneous	\$4,437,602.00	\$2,521,648.61	56.82%	6.53%
Other Sources	\$250,000.00	\$0.00	0.00%	0.37%
Total Estimated Revenue	\$67,926,726.00	\$31,915,608.13		100.00%

Taxes are responsible for 35% of the total revenue followed by Intergovernmental (18.39%), Franchise Fees (16.26%), Charges for Services (10.57%). These four categories are responsible for more than 80% of total revenues in the General Fund.

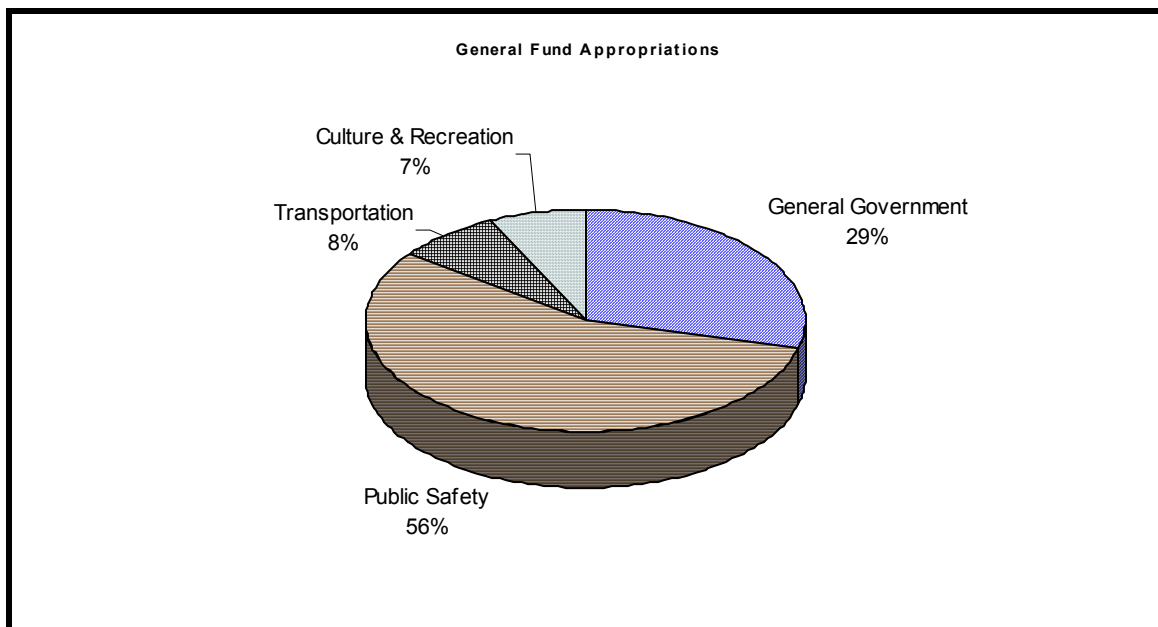


Within the Charges for service category, there are more than eighty individual accounts that reflect the collections the Town receives for various services. Only eight accounts are responsible for more than 65% or more than \$4.6 million of the estimated

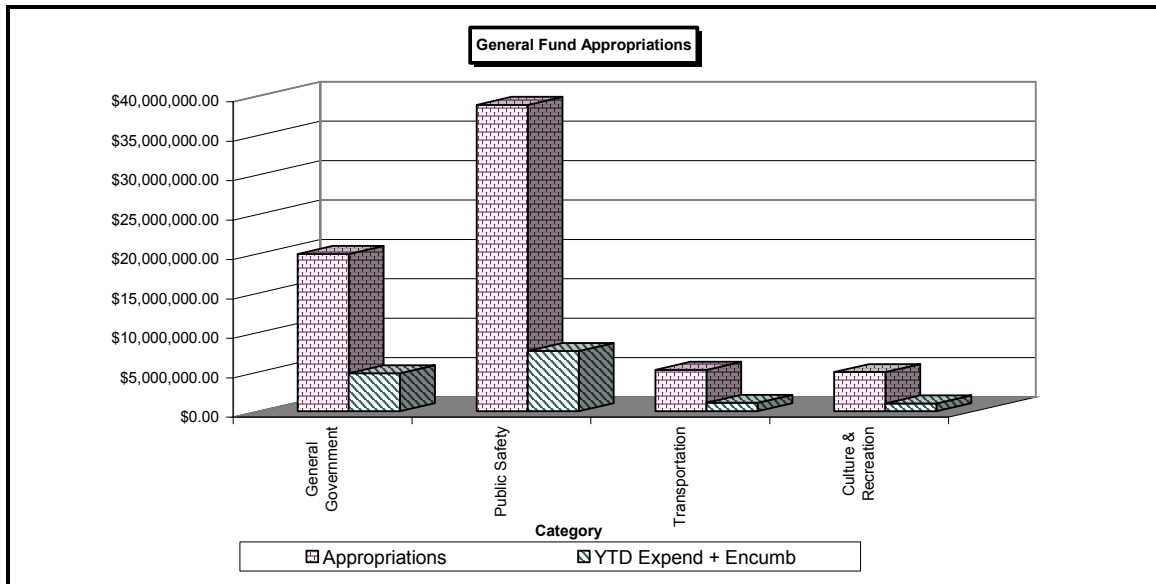
\$7.1 million revenue in this category. Two of the eight accounts are for administrative charges to other Town business that have yet to be updated and there is no issue with this income. Another account that deserves to be watched closely is EMS Transport. It is anticipated that staff will investigate the accounts to determine whether or not the rate of current collections will accelerate for the remainder of the year. Unless services and collections can be dramatically increased over the remainder of the year, it is probable this category may approach a \$200,000 shortfall for the year, based on current collections.

Appropriations

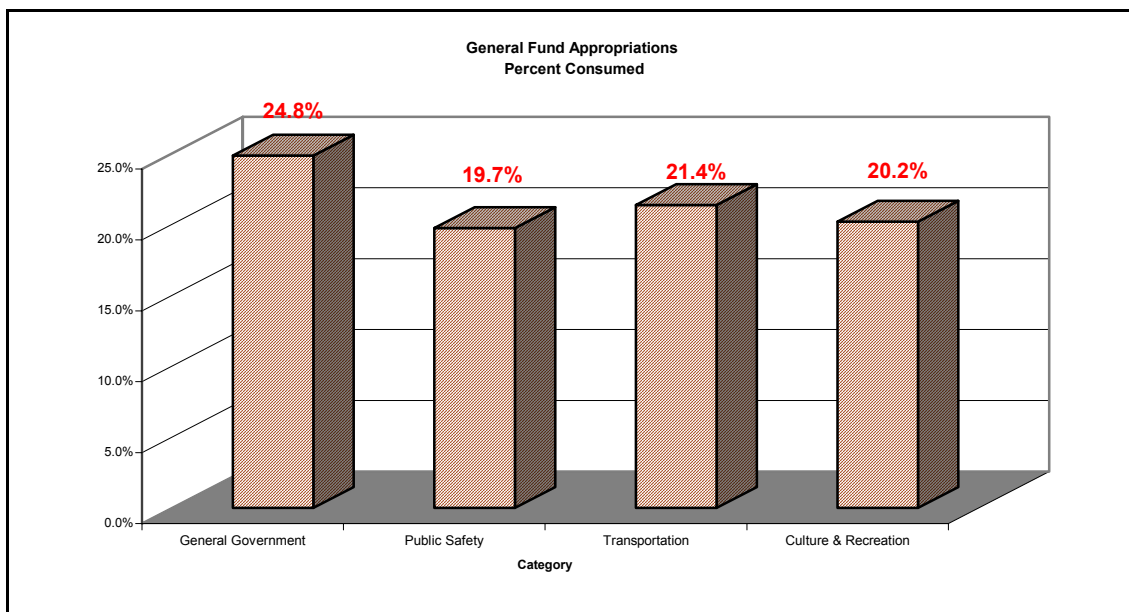
Revenues generated by the General Fund are used for various governmental activities. The graph below indicates the purpose for which funds are consumed. As is depicted, public safety consumes over 56% of all revenue the Town receives. The balance of all appropriations is used for transportation, culture and recreation, and general governmental activities, such as code enforcement, legal, administration, and other similar activities.



The following graph depicts the current appropriations and year-to-date expenditures and other obligations for the General Fund. As we can understand, all five categories appear to be well within the portion of the year that should have been expended for the first quarter.



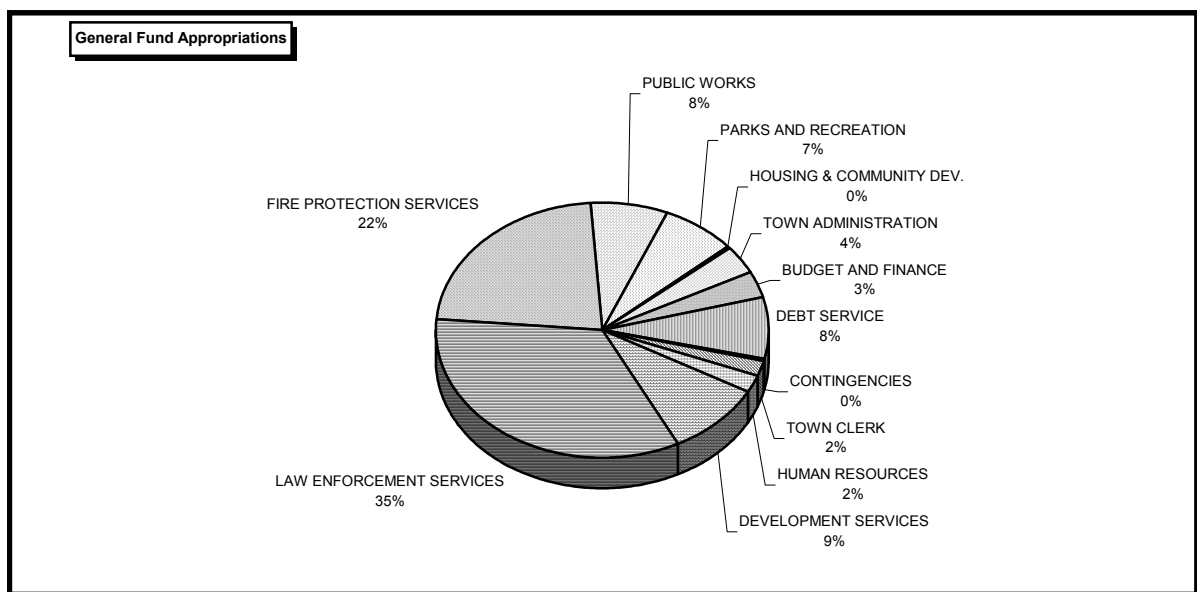
It is quite apparent that all categories are below the Town's current appropriations. In fact, at the current rate, expenditures should remain slightly below appropriations. General Government has consumed about 25% of its budget while Public Safety has used about 20%. Transportation expenditures have used about 21%. Culture and recreation has used about 20% of its budget currently, but its major expenditure period is during the last quarter of the fiscal year. The following graph reflects the functions and the percent they have consumed through December 31, 2003.



The following table reflects another perspective of the appropriations and expenditures for the General Fund at the end of the first quarter. Additionally, you will notice that appropriations exceed the estimated revenues in excess of \$1 million. Due to ongoing projects and expenditures at September 30, 2003, the General Fund carried forward into the current year appropriations for good and services ordered but not received until this fiscal year.

Category	Appropriations	Year-to-date	Percent	Percent Of Total
General Government	\$19,930,219.00	\$4,815,571.02	24.2%	28.9%
Public Safety	\$38,834,093.00	\$7,626,445.09	19.6%	56.3%
Transportation	\$5,235,414.00	\$1,068,024.00	20.4%	7.6%
Culture & Recreation	\$4,951,201.00	\$984,051.14	19.9%	7.2%
Total Appropriations	\$68,950,927.00	\$14,494,091.25		100.0%

The graph below delineates appropriations by department. The Police department currently consumes about 35% and Fire department uses another 22% of the General Fund resources. Development services uses about 9%, while Public Works and Debt service consumes 8% each. These five areas of expenditures account for more than 80% of all costs to operate the Town's General Fund.



The non-expended appropriations for the quarter ending December 31, 2003 is \$2,255,859.25 or almost 13% below anticipated expenditures for this portion of the fiscal year. This appropriation balance reflects a non-posted estimated expenditure of approximately \$487,000 for vehicle maintenance charges during the first quarter. This expenditure will soon be posted through this month and will be scheduled for monthly expenditure thereafter. Attached hereto for your perusal is a detailed report of expenditures (Exhibit B).

Conclusion

Assuming revenue estimates meet projections within the discussion of this report and expenditures do not accelerate for the balance of the year, it would appear that this review and analysis certainly depicts a financially stable fiscal year and the Town should be able to meet its anticipated expenditures for the fiscal year 2004.

I would like to take this opportunity to acknowledge the staff of the Budget and Finance department for their work and assistance without which this report could not be completed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. F. Underwood, II", with a stylized flourish at the end.

William F. Underwood, II

Director